

April 30, 2002

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**EXERCISE OF OPTION TO EXPAND
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
425 SHATTO PLACE, LOS ANGELES
(SECOND) (3 VOTES)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve and instruct the Chairman to sign the attached Amendment No. 2 to exercise the option to expand with Millard W. Jacobs, as Trustee of the Millard and Muriel Jacobs Living Trust (Lessor) for an additional 12,825 rentable square feet of office space coterminous with the existing Lease No. 72058, including 40 parking spaces for the Department of Children and Family Services (DCFS) at 425 Shatto Place, Los Angeles at an initial annual rent of \$304,281. Rental costs are 16 percent net County cost and 84 percent subvented by State and Federal funds.
2. Authorize the Director of the Internal Services Department (ISD), at the discretion of the Chief Administrative Office (CAO), to refurbish the premises and acquire furniture systems for DCFS at a cost not to exceed \$450,000.
3. Direct the CAO, as part of its Final Changes to the Proposed 2002-03 Budget, to establish Capital Project No. 86578 in the 2002-03 Capital Projects/Refurbishments Budget with an appropriation of \$450,000, offset by revenue from the 2002-03 DCFS operating budget for the proposed refurbishment and furnishing acquisition.
4. Authorize the Lessor and/or Director of ISD, at the discretion of the CAO, to acquire a telephone system for the DCFS at a cost not to exceed \$260,000. The full cost of the telephone, data, and low voltage systems will be paid in a lump sum by the DCFS.

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5. Find that this lease option is exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to Class 1, Section r, of the Environmental Document Reporting Procedures and Guidelines adopted by your Board on November 17, 1987, and Section 15061 (b) (3) of the State CEQA Guidelines.
6. Approve the project and authorize the CAO, DCFS, and ISD to implement the project. The option space effective date will commence upon completion and acceptance of the improvements.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Approval of this proposed exercise of option to expand into an additional 12,825 rentable square feet, coterminous with Lease No. 72058, and the proposed renovation and furniture acquisition, will allow DCFS to house 82 staff members of the Special Payments Group and Bureau of Finance Management. The square footage currently being leased at DCFS headquarters, 425 Shatto Place, is insufficient to appropriately house these units at this location. Co-location of the units allows DCFS to expand and reorganize departmental administrative services.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The Countywide Strategic Plan directs that we invest in public infrastructure in order to strengthen the County's fiscal capacity. The proposed lease supports this strategy (Goal 4, Strategy 2, Objective 2), in the consolidation of departmental administrative services and allows the County to maximize use of subvention funding by leasing a facility, as further outlined in Attachment A.

FISCAL IMPACT/FINANCING

The annual lease cost for the additional expansion space will initially be \$304,281, including tenant improvements (TIs). The combined annual rent of the current lease and the expansion space will be \$1,391,409.

Improvements to the electrical components of the expanded space and acquisition of furniture systems that are not funded through the lease are estimated to cost \$450,000 and will be initiated and completed in 2002-03. Approval of the recommended actions will increase appropriation in the 2002-03 Capital Projects/Refurbishments Budget by \$450,000 to properly account for these expenditures. Such expenditures will be fully offset by revenue from the DCFS 2002-03 operating budget.

425 SHATTO PLACE	EXISTING LEASE	EXPANSION SPACE	TOTAL
Area (Square feet)	67,263	12,825	80,088
Term	10 years (4/ 3/99 - 4/3/09)	coterminous	N/A
Annual Rent	\$1,087,128 (\$16.16/sq.ft.)	\$304,281 (\$23.72/sq.ft.)	\$1,391,409 (\$17.37/sq.ft.)
TI Allowance	Build-to-suit basis	Build-to-suit basis (includes about \$40/sq.ft. or \$6.66/sq.ft. per year)	N/A
Parking Included in Rent	244 off-street spaces	40 off-street spaces	284 off-street spaces
Cancellation	None	None	N/A
Option to Renew	None	None	N/A
Rental Adjustment	Annual CPI 3% Cap	Annual CPI 3% Cap	N/A

The monthly rent under the lease as proposed to be amended will continue to be subject to an annual CPI adjustment not to exceed three percent which could increase the annual lease cost to \$1,869,937 in the last year of the lease term.

Sufficient funding for the lease as proposed to be amended is included in the 2002-03 Proposed Budget for Rent Expense and will be charged back to DCFS. Sufficient funding is available in the 2002-03 Proposed Budget for Children and Family Services to cover the projected lease costs.

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The total estimated purchase cost for the telephone, data, and low voltage systems is not to exceed \$260,000 and shall be paid in a lump sum by the department. Should the Lessor be able to provide the aforementioned costs at or below the County's cost, the recommendation herein, allows for the payment of these costs to the Lessor and, at the discretion of the CAO, all or part of these costs may be paid direct on a lump sum basis.

In addition to the TIs included in the lease, improvements of an estimated \$450,000 will be provided for by the Department. Funding will be identified from within the 2002-03 Budget for the Department of Children and Family Services for this purpose.

The cost associated with the lease as proposed to be amended will be offset 84 percent with State and Federal funding.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

DCFS has been at this location since April 3, 1989, under Lease No. 72058 adopted by the Board on March 19, 1999 and Amendment No. 1 adopted on November 21, 2000. The current 67,263 rentable square feet of office space houses DCFS Headquarters and 326 budgeted positions.

The proposed expansion provides 12,825 rentable square feet of office space and 40 off-street parking spaces. The amended lease contains the following provisions:

- Commencement of the expanded lease space begins upon completion and acceptance of the improvements and coterminous with the current lease.
- TIs for the expanded lease space are on a build-to-suit basis, including electrical costs for the file server room and auxiliary air conditioning systems as part of the rental rate.
- The Lessor will provide 40 additional parking spaces included in the rental rate, which is sufficient to meet the parking needs of the increased staff.
- There continues to be no cancellation provision in the lease, and the County has no option to renew.

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- The lease continues as full-service and the Lessor will be responsible for all operating and maintenance costs.

CAO Real Estate staff surveyed within a three-mile radius of DCFS Headquarters at 425 Shatto Place to determine the market rate of comparable sites. Based upon said survey, staff has established that the base rental range including parking for similar property is between \$17.80 and \$18.60 per square foot per year full service gross. Thus, the base annual rent of \$17.37 per square foot for the combined total lease cost represents a below-market rental rate. Attachment B shows County-owned and leased facilities within the search area for these programs and none are available for these programs.

The Department of Public Works has inspected this facility and finds it suitable for the County's continued occupancy.

The proposed leased premises have no additional space available to house a child care center. However, based on the high concentration of County-owned and leased facilities in the Vermont/Wilshire corridor, the CAO will study the feasibility of locating a child care center within this core service area.

NEGATIVE DECLARATION/ENVIRONMENTAL IMPACT REPORT

The CAO has made an initial study of environmental factors and has concluded that this project is exempt from CEQA as specified in Class 1, Section r, of the Environmental Document Reporting Procedures and Guidelines adopted by your Board on November 17, 1987, and Section 15061 (b) (3) of the State CEQA Guidelines.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

It is the finding of the CAO that the proposed lease expansion is in the best interest of the County and will help achieve the necessary space for this County requirement. In accordance with your Board's policy on the housing of any County offices or activities, DCFS concurs in this lease recommendation.

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CONCLUSION

It is requested that the Executive Officer, Board of Supervisors return two originals of the executed Memorandum of Acceptance of Expansion Space, two certified copies of the Minute Order and the adopted, stamped Board letter to the Chief Administrative Office, Real Estate Division at 222 South Hill Street, 4th Floor, Los Angeles, CA 90012 for further processing.

Respectfully submitted,

DAVID E. JANSSEN
Chief Administrative Officer

DEJ:SNY
CWW:TJS:pb

Attachments (3)

c: County Counsel
Auditor-Controller
Children and Family Services
Internal Services Department

**DEPARTMENT OF CHILDREN AND FAMILY SERVICES
425 SHATTO PLACE, LOS ANGELES (HEADQUARTERS FACILITY)
Asset Management Principles Compliance Form¹**

1.	<u>Occupancy</u>		Yes	No	N/A
A	Does lease consolidate administrative functions? ²		<u>X</u>		
B	Does lease co-locate with other functions to better serve clients? ² Existing DCFS Headquarters facility.			<u>X</u>	
C	Does this lease centralize business support functions? ²				<u>X</u>
D	Does this lease meeting the guideline of 200 sf of space per person? ² Ratio: 1/175 sf		<u>X</u>		
2.	<u>Capital</u>				
A	Should program be in leased space to maximize State/Federal funding?		<u>X</u>		
B	If not, is this a long term County program?				<u>X</u>
C	Is it a net County cost (NCC) program? 16%			<u>X</u>	
D	If yes to 2 B or C; capital lease or operating lease with an option?				<u>X</u>
E	If no, are there any suitable County-owned facilities available?			<u>X</u>	
F	If yes, why is lease being recommended over occupancy in County-owned space?				<u>X</u>
G	Is Building Description Report attached as Attachment B?		<u>X</u>		
H	Was build-to-suit or capital project considered? Existing lease does not expire until April 4, 2009; this option is to expand into additional space.			<u>X</u>	
3.	<u>Portfolio Management</u>				
A	Did department utilize CAO Space Request Evaluation (SRE)?		<u>X</u>		
B	Was the space need justified?		<u>X</u>		
C	If a renewal lease, was co-location with other County departments considered?				<u>X</u>
D	Why was this program not co-located?				
	1. ___ The program clientele requires a "stand alone" facility.				
	2. ___ No suitable County occupied properties in project area.				
	3. ___ No County-owned facilities available for the project.				
	4. ___ Could not get City clearance or approval.				
	5. <u>X</u> The Program is being co-located.				
E	Is lease a full service lease? ²		<u>X</u>		
F	Has growth projection been considered in space request? Operation is functional at the expanded size and the space available within the building has been maximized. Seven years remains on the lease.		<u>X</u>		
G	Has the Dept. of Public Works completed seismic review/approval?		<u>X</u>		
	¹ As approved by the Board of Supervisors 11/17/98				
	² If not, why not?				

**SPACE SEARCH - 3 MILE RADIUS OF DCFS HEADQUARTERS,
425 SHATTO PLACE, LOS ANGELES
DEPARTMENT OF CHILDREN AND FAMILY SERVICES**

LACO	FACILITY NAME	ADDRESS	SQ. FT. GROSS	SQ. FT. NET	OWNERSHIP	SQ. FT. AVAILABLE
A388	DHS-WILSHIRE-BIXEL BUILDING	1055 WILSHIRE BLVD, LOS ANGELES 90017	12,303	12,057	LEASED	NONE
0155	COUNTY COURTHOUSE	111 N HILL ST, LOS ANGELES 90012	1,588,918	883,522	FINANCED	NONE
5266	METROPOLITAN COURTHOUSE	1945 S HILL ST, LOS ANGELES 90007	303,434	125,469	FINANCED	NONE
A159	DISTRICT ATTORNEY-FIGUEROA PLAZA	201 N FIGUEROA ST, LOS ANGELES 90012	83,164	79,006	LEASED	NONE
A496	PUBLIC DEFENDER-L.A. LAW CENTER BUILDING	207 S BROADWAY, LOS ANGELES 90012	7,100	6,750	LEASED	NONE
3154	CLARA SHORTRIDGE FOLTZ CRIMINAL JUSTICE CENTER	210 W TEMPLE ST, LOS ANGELES 90012	1,036,283	399,535	FINANCED	NONE
A429	CAO-REAL ESTATE DIVISION/ SERVICE INTEGRATION	222 S HILL ST, LOS ANGELES	30,452	27,703	LEASED	NONE
B922	DPSS-WILSHIRE SPECIAL DISTRICT OFFICE	2415 W 6TH ST, LOS ANGELES 90057	46,228	42,065	LEASED	NONE
A360	DPSS-METRO NORTH AP/ CALWORKS DISTRICT OFFICE	2601 WILSHIRE BLVD, LOS ANGELES 90057	62,000	60,140	LEASED	NONE
6518	THE ADAMS & GRAND BUILDING	2615 S GRAND AVE, LOS ANGELES 90007	215,439	183,874	OWNED	NONE
5353	DPSS-METRO SPECIAL DISTRICT OFFICE	2707 S GRAND AVE, LOS ANGELES 90007	115,242	89,650	OWNED	NONE
C660	DPSS-GAIN PROGRAM REG IV/ MEDI-CAL OUTSTATION	2910 W BEVERLY BLVD, LOS ANGELES 90057	120,327	33,635	LEASED	NONE
3155	PERFORMING ARTS CENTER- ANNEX/DE LISA BUILDING	301 N GRAND AVE, LOS ANGELES 90012	271,124	161,956	OWNED	NONE
A336	CHILD SUPPORT SERVICES- WILSHIRE CENTRE BLDG	3055 WILSHIRE BLVD, LOS ANGELES 90010	24,755	23,265	LEASED	NONE
A408	DC&FS-THE U S BORAX BUILDING	3075 WILSHIRE BLVD, LOS ANGELES 90010	132,488	105,568	LEASED	NONE
5456	HEALTH SERVICES ADMINISTRATION BUILDING	313 N FIGUEROA ST, LOS ANGELES 90012	221,359	134,851	OWNED	NONE
A160	MENTAL HEALTH-HEADQUARTERS OFFICE ANNEX	3160 W 6TH ST, LOS ANGELES 90020	60,800	28,372	LEASED	NONE
X317	DCSS-LE SAGE COMPLEX 4 STORY BUILDING	3175 W 6TH ST, LOS ANGELES 90020	52,230	42,341	OWNED	NONE
0156	HALL OF RECORDS	320 W TEMPLE ST, LOS ANGELES 90012	876,190	519,046	OWNED	NONE
A409	DCSS-WILSHIRE PLAZA BUILDING	3303 WILSHIRE BLVD, LOS ANGELES 90010	4,000	3,900	LEASED	NONE
A413	HUMAN RESOURCES-WILSHIRE SQUARE TWO BUILDING	3333 WILSHIRE BLVD, LOS ANGELES	62,479	57,590	LEASED	NONE
A424	DPSS-EQUITABLE PLAZA BUILDING	3435 WILSHIRE BLVD, LOS ANGELES 90010	65,871	62,577	LEASED	NONE
A532	HEALTH-METROPLEX WILSHIRE BUILDING	3530 WILSHIRE BLVD, LOS ANGELES	62,901	56,611	LEASED	NONE
A442	MENTAL HEALTH-LAPD - SMART TEAM OFFICE	419 S SPRING ST, LOS ANGELES 90013	1,000	1,000	LEASED	NONE
Y193	PARKS & RECREATION- HEADQUARTERS BUILDING	433 S VERMONT AVE, LOS ANGELES 90020	31,862	18,221	OWNED	NONE
C500	PROBATION-PRETRIAL SERVICES / BAIL DEVIATION	500 SHATTO PL SUITE 600, 610, 620	2,880,866	1,750,548	LEASED	NONE
A369	DC&FS-PROCUREMENT AND SPECIAL SERVICES OFFICE	501 SHATTO PL, LOS ANGELES 90020	8,168	8,140	LEASED	NONE
5252	DPSS-METRO NORTH IHSS / SPECIALIZED SERVICES	5026 SANTA MONICA BLVD, LOS ANGELES	18,645	14,737	OWNED	NONE
X510	DHS-LESAGE COMPLEX 2 STORY BUILDING	510 S VERMONT AVE, LOS ANGELES 90020	31,540	24,840	OWNED	NONE
X532	DCSS-LE SAGE COMPLEX 1 STORY BUILDING	532 S VERMONT AVE, LOS ANGELES 90020	14,126	10,314	OWNED	NONE
X550	MENTAL HEALTH-LE SAGE COMPLEX TOWER	550 S VERMONT AVE, LOS ANGELES	148,085	132,610	OWNED	NONE
B393	HOLLYWOOD COURTHOUSE	5925 HOLLYWOOD BLVD, HOLLYWOOD 90028	61,571	22,544	FINANCED	NONE
A600	CENTRAL CIVIL WEST COURTHOUSE	600 S COMMONWEALTH AVE, LOS ANGELES	202,151	149,903	LEASED	NONE
A137	DC&FS-HOLLYWOOD R.A.P.P. OFFICE	6464 SUNSET BLVD, HOLLYWOOD 90028	2,644	2,299	LEASED	NONE
A480	PKS & REC-CAPITAL PROJECTS/PROJECT MGT OFFICE	680 WILSHIRE PL, LOS ANGELES 90005	7,852	7,159	LEASED	NONE
B695	DC&FS-ADOPTIONS DIVISION OFFICES	695 S VERMONT AVE, LOS ANGELES 90010	71,370	58,635	LEASED	NONE